

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

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LEGEND

B = Scholarship Program Name
C = Non-Profit Organization
D = City, State

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated November 2, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a scholarship program named B. The purpose of B is to enhance access to higher education. Specifically, you will provide scholarships to certain academically qualified former residents of C, in D, who desire to attend a college or university.

In order to be eligible to receive a scholarship, an individual must be a former resident of C, 21 years of age or younger, and be recommended for assistance by a foster care or residential care case worker.

Applicants must submit an agency approved application to the selection committee by the annually announced scholarship application deadline, which is normally in late spring prior to the start of the academic year. The application includes information concerning where the applicant plans to enroll, where they attended high school, their proposed expenses, whether or not they applied for other scholarships, and a brief description of any extra curricular activities the applicant has conducted. The applicant must also submit a Free Application for Federal Aid (FASFA) to aid the selection committee in making a decision as to the financial need of the applicant.

All scholarships are awarded on an objective and non-discriminatory basis. The selection committee is comprised of the Higher Education Committee of C. Each year, your trustee advises the selection committee as to the amount of available funds. The selection committee then obtains recommendations from foster care and/or residential care case workers. They

review the applications of the recommended students and then select the scholarship recipients based on their qualifications and financial need. The scholarships will not be awarded to any individual who is related by blood, adoption, or marriage to any member of the selection committee as a first cousin or nearer relative. Also, scholarships will not be awarded to any disqualified person. Recipients must attend a school described in IRC sections 509(a)(1) and 170(b)(1)(A)(ii).

The selection committee will notify you as to who the recipients are and what school they will be attending. You will then mail a check directly to the educational institution on behalf of the recipient.

Scholarships will be awarded for one academic year at a time and the application procedure must be repeated for subsequent academic years. Upon proof of enrollment, actual disbursement of funds will be made to the institution prior to the beginning of each quarter, semester or session. Scholarship recipients are required to send a copy of grades to the selection committee at the end of each quarter, semester or session. Misused or unused funds are required to be reimbursed.

The number of scholarships awarded each year and the amount of each will vary depending upon the required amount to enable you to satisfy Code Section 4942 for minimum distribution requirements. On average, two scholarships are awarded each year. There are approximately 25 to 40 children eligible to apply for the scholarship annually.

The scholarships are not automatically renewable. In order to continue receiving scholarship funds in subsequent years, the recipient would need to reapply by completing new FAFSA and application forms and be selected again.

Along with the check, you will provide a letter to the educational institution specifying that their acceptance of the scholarship proceeds constitutes their agreement to (i) refund any unearned portion of a scholarship if subsequent to the payment of a scholarship, a scholarship recipient fails to meet any term or condition of the scholarship program; and (ii) notify the trustee if a scholarship recipient fails to meet any term or condition of the scholarship program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on “taxable expenditures” made by a private foundation.

Section 4945(d)(3) of the Code provides that the term “taxable expenditure” means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements

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